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UNDP Business Plans, 2000-2003

Update on the UNDP Business Plans, 2000-2003

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I. Introduction

1. In the Business Plans 2000-2003 (DP/2000/8), approved by the Executive Board at its first regular session 2000, I presented a strategy for change and reform of UNDP to respond to the development challenges of the twenty-first century. With the encouragement and support of UNDP Member States, the Business Plans aim at positioning UNDP to make the greatest possible contribution to human development and to poverty eradication, specifically to the 2015 goal of reducing extreme poverty by half.
2. Following the Executive Board's approval of the Business Plans, I established an implementation roadmap identifying the change initiatives to be undertaken in the five areas of the Business Plans. Transformational initiatives were prioritized and costed. The implementation roadmap formed the basis for planning work with priorities cascading down to bureau/unit and country office plans. The planning was integrated with the budget allocation process in order to align human and financial resources with the strategic objectives.
3. During the year, major efforts have gone into rebuilding trust in the mission of UNDP and its role among its stakeholders and staff. Key achievements of the internal change process include changes in corporate leadership, with a cabinet-style Executive Team in place and five new Assistant Administrators appointed, and the introduction of a leaner, more efficient headquarters structure. Central to this is the introduction of a highly focused and field-oriented organization for policy support. In order to improve the performance of UNDP, I have also put in place during the year a coherent system of planning and performance management instruments.
4. Further to the very positive, substantive dialogue on the results of UNDP that took place during the annual session of the Executive Board in June 2000, the Ministerial Meeting on UNDP was convened in September, immediately after the Millennium Summit. Ministers at the meeting gave a clear endorsement of the new direction of UNDP, as envisaged in the Business Plans, with clear recognition of the importance of the role of UNDP in development cooperation and coordination, and the role of partnerships as a necessary and integral part of the work of UNDP. The Ministerial Meeting in particular recognized the seriousness of UNDP's commitment to results, to internal reform and to management performance and excellence at all levels. The outcome of the meeting is discussed in detail in document DP/2001/CRP.3.
5. The sections below contain an account of significant results achieved to date. The annex provides a detailed overview of the key initiatives and the results achieved according to the five priority areas of the Business Plans.

II. Results achieved in 2000

A. Policy

6. The transformation of the Bureau for Development Policy (BDP) is at the core of strengthening the policy capacity of UNDP. The implementation plan approved by the Executive Team in May 2000 presented a comprehensive blueprint for making BDP a service bureau providing world-class practical policy support where

it is most needed — in the field. The transformation of BDP entails considerable streamlining and rationalization of staff roles to produce an operation that is decentralized, networked, hands-on and oriented to service delivery. In 1999, there were 250 headquarters-based staff serving UNDP core development programmes in BDP, the Global Environment Facility (GEF), the Montreal Protocol, the Office to Combat Desertification and Drought (UNSO) and Capacity 21; by the end of 2001, there will be fewer than 120 staff members in BDP at headquarters, with 98 staff redeployed to the field. The interim number of headquarters-based BDP staff as of end September 2000 was 200.

7. The responsibilities of BDP staff have been radically redesigned and an important additional mandate has been added: to provide policy advisory services to the regional bureaux and their country offices. The redeployed Policy Specialist positions are being used to provide policy advisory services to country offices. The concept of subregional resource facilities (SURFs) initiated in the UNDP 2001 change process has been enhanced with the introduction of a guiding body of resident representatives (the SURF Board), policy specialist resources, and a coordinating unit (the present SURF offices where they exist), which, as the SURF Board secretariat, anchors the arrangement.

8. **Key innovations.** BDP is managing the challenge by adopting four modern, innovative management practices to leverage the small pool of policy specialists in the most cost-effective manner:

(a) **Knowledge networks.** The knowledge-networking concept successfully initiated under the SURF system is being strengthened. BDP policy specialists are establishing (or joining existing) external networks of professional peers (including those from United Nations and programme country organizations) and network members can be consulted or contracted to back up team assignments. All UNDP staff are being encouraged to participate in internal knowledge networks, which will continue to strengthen their substantive competencies in core thematic areas, build their collective identities as professional peer groups ("communities of practice,") and share their knowledge and best practices across regions. Currently, over 1,200 UNDP staff members are also members of the network, 80 per cent of whom are field-based;

(b) **Matrix management.** BDP staff providing policy support are accountable to their client cluster in the regional bureau or country office for meeting policy priority needs in a timely, responsive and equitably balanced manner. The need for line units to hire their own specialists will thus be eliminated, improving policy consistency across the organization;

(c) **Team-based support.** The BDP staff have been organized into clusters by thematic disciplines but the actual work they perform is being done in the context of multidisciplinary teams. Flexible, tailor-made teams ensure that all needed perspectives are included when designing UNDP products and services. In the field, teams could include regional project specialists, region-based specialists from local institutions (promoting South-South cooperation) and specialists from United Nations organizations;

(d) **Localized "one-stop shops".** Nine SURFs (plus one "sub-SURF") are to coordinate the delivery of policy support and manage the demand from the cluster of country offices served. Through the SURF mechanism, every Resident

Representative is assured of timely access to high quality professional advice and expertise for the effective implementation of programmes and strategic initiatives.

9. **The global cooperation framework.** The innovations introduced during the transformation are ensuring that BDP has sufficient capacity to implement effectively the second global cooperation framework (GCF), which is being submitted to the Executive Board at its current session. Through the GCF, UNDP will provide policy support, share best practices and experiences, and conduct policy dialogue, applied research and advocacy to help to implement the development priorities approved by the Board. To facilitate and focus resource mobilization, a number of products and service lines will be developed and promoted; this, together with policy support tasks, will form the bulk of the work of the BDP policy specialists.

10. **Sharper policy focus.** As a results-driven development agency gearing itself to contribute maximally within its focus areas, UNDP must be responsive to demands for its services expressed at the country level and must align its resources accordingly. On the basis of the thorough analysis of the evidence collected in the process of preparing the results-oriented annual report (ROAR), it was decided to discontinue policy support in the following fields: education, forestry, health (excluding HIV/AIDS), nutrition, sustainable livelihoods and transport. At the same time, remaining policy support will be more sharply defined on the basis of a continuing analysis of demand and the comparative advantage of UNDP. Over time, this will also become apparent in country-level programming and in the country cooperation frameworks.

B. Partnerships

11. The Business Plans set as its central challenge the transformation of UNDP into a highly networked organization that creates new development opportunities through strategic partnerships. UNDP has taken important steps in moving forward on this agenda over the past year.

12. The Bureau for Resources and Strategic Partnerships (BRSP) was established on 1 January 2000. For the first time, the responsibility for the management of a large number of partnerships is in one location. This has allowed for greater synergy and a more strategic, internally coherent approach in promoting partnerships with United Nations organizations, the Bretton Woods institutions, civil society and the private sector. A resources and strategic partnership group has been established with full representation from the regional bureaux. This group is responsible for ensuring a fully matrixed approach to the challenges of promoting partnerships and is empowered to take the necessary decisions to move the agenda forward.

13. Some of the key achievements in the partnership area include:

(a) UNDP has continued to focus on the importance of strengthening and working with the United Nations Development Group (UNDG) to promote coherent United Nations approaches to development challenges;

(b) Dialogues with a significant number of United Nations organizations have been initiated to strengthen specific partnerships around the goals laid out in the Business Plans. The upstream focus of UNDP provides important opportunities to re-examine and strengthen key partnerships in areas where UNDP seeks to

network in order to ensure access to the best knowledge available. Extensive dialogues have taken place, for example, with the Department of Economic and Social Affairs (DESA), the International Labour Organization (ILO), the International Telecommunication Union (ITU), the United Nations Joint Programme on HIV/AIDS (UNAIDS), the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO);

(c) UNDP has taken a highly active position with regard to a number of key United Nations initiatives. In particular, staff have been seconded to both the Financing for Development Coordinating Secretariat and the Least Developed Countries Conference;

(d) Extensive dialogue has taken place with the Bretton Woods institutions, and with the World Bank in particular, to promote and support operational partnerships that promote coherence at the country level. Significant progress has been made in areas relating to institutional and policy reform, poverty reduction strategy papers (PRSPs) and information technology for development;

(e) The first UNDP Civil Society Organizations Committee has been established and has had its first meeting. Following this, a number of important initiatives have been launched to promote the strong commitment of UNDP to a strengthened partnership with civil society;

(f) UNDP is seeking new opportunities to promote partnerships with the private sector. The Administrator has launched an initiative to take the Secretary-General's global compact to the local level and to promote dialogue among governments, civil society and the private sector at the national level;

(g) Significant progress has been made in linking much more directly the work of headquarters and the field: a major net-enabled support package was launched in July and communities of best practices have been set up to facilitate and promote substantive exchange among country offices on relevant issues regarding partnerships and resource mobilization;

(h) A partnership survey has been designed and is ready to be implemented. This will be an important instrument to assess the perception of the principal partners of UNDP concerning the performance of the organization;

(i) Starting in 2001, budgetary incentives made possible through extrabudgetary support will be provided to promote key strategic partnerships at the country level;

(j) A new Partnerships web site will be launched in 2001 and will reflect the progress made to date.

C. People

14. People are key to the successful renewal and reform of UNDP. In the course of 2000, several corporate human resource initiatives were implemented with the aim of aligning and empowering staff to achieve goals and to create conditions to attract, develop and motivate talented people to excel.

15. In just one year, despite — or perhaps because of — the rapid changes in the UNDP work environment, there has been an upward shift in staff attitudes, as

reported by the 2000 Global Staff Survey. Staff are more optimistic that change initiatives will improve the overall performance of UNDP. They have greater trust that top management will follow through on commitments made and perceive that senior management more generally encourages open and honest communication. They have greater awareness about what is going on in UNDP and are more satisfied with the information they receive. More staff find that UNDP goals are clearly defined. They are also more positive about their working relationship with their supervisors. They feel more empowered and believe that they can act with increased authority and have a greater sense of responsibility. Overall, staff morale has remained positive, with the highest ratings in country offices. As we move ahead in 2001 to re-profile our country offices and continue the downsizing of headquarters, the challenge will be to retain this high level of commitment of staff and remain sensitive to their concerns.

16. Key achievements in 2000 are described below.

Streamlined performance appraisal and strengthening management competencies

17. A new performance appraisal review system was introduced a year ahead of schedule. The system emphasizes core competencies, is results-based rather than activity-based, fosters a change management culture and promotes teamwork, networking and information technology proficiency.

18. To improve management performance, a 360-degree feedback system has been successfully piloted and approved for organization-wide roll-out in 2000 and 2001. An assessment programme for sitting resident representatives modelled after the one successfully implemented for first-time resident representatives is also being prepared. Over the next year, a total of 55 resident representatives will participate in the programme.

Renewal of the UNDP work force

19. During the year, UNDP has implemented two phases of voluntary separation programmes aimed at aligning the staff profile with the requirements of the Business Plans. The total number of staff separated under these programmes was 242, with the following composition: international professional staff — 40; locally recruited staff in headquarters — 55; and national staff in country offices — 147. The total budgeted cost for these separations is \$13.9 million. The departure of staff has made it possible for UNDP to recruit 38 new professional staff in 2000, a record number in recent history.

20. The Leadership Development Programme, LEAD, has been established to build a new cadre of future leaders in UNDP. It builds on best practices and lessons learned from past career programmes geared to the entry level while taking into account the current needs of the organization. LEAD will take participants through a developmentally designed performance cycle of growth, assessment and feedback, supported by training, special assignments, performance reviews, 360 degree feedback and mentoring. There is a built-in "up-or-out" approach. Vigorous competency assessments will determine those who can grow and move up into more senior positions as career staff, and, likewise, to identify those for whom it might be better to pursue other opportunities. In line with the current UNDP business strategy, the programme will develop professionals for various positions in both

management and policy streams. In total, 40 new recruits will be hired over the next two years, 20 of whom will start in early 2001.

21. The Virtual Development Academy (VDA), a web-assisted learning and certification programme, was formally launched during the year with the first module on human rights. Other modules in the preparation stage include those on poverty alleviation and sustainable development. Also introduced was the Electronic Platform for Learning, which enables staff throughout UNDP to enhance their competencies at their own pace and in accordance with their own time schedule. While it has not been possible to increase core budget allocations for learning in 2000, some redeployment for country-office based training is planned for 2001. The Business Plan goal of significantly increasing the budget for learning will have to be pursued in the context of the budget for the biennium 2002-2003.

D. Performance

22. A commitment to performance and measuring results is an integral part of the UNDP programme for reform and renewal. During the year, UNDP has made major strides to introduce a results-oriented management culture, in which performance is systematically measured and improved and resources are strategically managed and put to the best possible use at the country level.

Corporate planning and results-based management

23. A new integrated, results-based corporate planning and performance management system has been established. It comprises an annual corporate plan; headquarters units plan; country office plans and individual performance plans. Integrated into the annual budget allocation process, the planning process ensures that the allocation of financial and human resources are tightly aligned with the corporate strategy set out in the Administrator's Business Plans.

24. The targeted results of the planning process are reflected in the balanced scorecard system, which consists of a set of 20 indicators. The balanced scorecard for UNDP will make it possible to assess, at a glance, how the entire organization is progressing with regard to its transformation agenda in the five performance dimensions: policy, partnerships, people, performance and resources.

25. In 2000, UNDP further developed its methodology and tools for results-based management with the presentation of the first ROAR to the Executive Board at its annual session 2000. The SURFs and the ROAR were further refined in 2000, on the basis of the experience gained from the first round of implementation. The revised tools for RBM were rolled out to the country offices in 14 regional workshops in all regions, with the help of resource persons from headquarters and the field. Overall, some 360 staff were trained in the RBM methodology and tools. With this, UNDP is well under way to establishing a results-based culture throughout the organization in line with the Business Plans.

Improving country-office performance

26. UNDP performance is measured at the country level through the interaction between the country office and the main client, the programme country government, and other partners in the development community. Messages about uneven

performance at the country level have been heard in different forums, including the Ministerial Meeting.

27. In early 2000, a number of country offices were identified as pilots for improvement in performance or for taking advantage of specific development opportunities. Detailed actions plans are being implemented. Later in the year, a group of resident representatives assembled to develop options for the realignment of country-office profiles and capacities with the emerging role of UNDP.

28. Based on this, and since then, a package of support, known as New Horizons, has been developed to help all country offices to meet the goals of the Business Plans. This brings together various strategic initiatives currently under way or planned for 2001 to support the transformation process. New Horizons has assembled these initiatives in a coherent performance framework, identified clear deliverables relevant to country offices, and identified funding to cover critical resource gaps. From a country office perspective, the package should answer two questions: (a) how to go about programme and staff re-profiling and (b) what corporate support is available when and in what form.

E. Resources

Financial resources

29. The resources situation in relation to the multi-year funding framework (MYFF) is dealt with in detail in document DP/2001/CRP.3. Specifically in relation to the funding of transformation initiatives under the Business Plans, UNDP has been able to mobilize \$8 million of the total of \$13 million sought from donors, with commitments of funding from the Governments of Canada, Finland, Norway, Sweden, Switzerland and the United Kingdom. In addition, three donors — Finland, the Netherlands and Sweden — gave additional contributions to regular resources for 2000, in recognition of the reform process. With regard to the redeployment of budget savings for transformational projects, only a small amount of the planned \$12 million could be allocated in 2000 owing to the tight resource situation. However, firm plans have been made to reinvest savings for the re-profiling of country offices that meet this full obligation in 2001.

Headquarters staffing

30. One of the most important and complex initiatives undertaken during the year concerned the reduction of staff at headquarters. The exercise included a comprehensive, unit-by-unit functional review, to rationalize and streamline headquarters activities along the two main functions of corporate oversight and country office support. One of the key outputs of the functional review concerns a detailed (month-by-month) implementation plan aimed at reducing the number of headquarters staff by 298 staff (26 per cent). In addition to relocating 171 staff out of headquarters, the plan also includes a net reduction of 127. This requires a significant re-engineering effort and additional investments in information technology. The process is well under way, but may in some cases require greater funding and time than is currently available.

31. The main focus of the functional review concerned a redefinition of functions and jobs. During the year, almost all headquarters units were involved in efforts

relating to restructuring, revising functions and defining collaborative arrangements between the operational units on the one hand and the service providers on the other, in line with the vision of moving towards a matrix-based organizational model for headquarters. In many cases, the restructuring also encompassed a realignment of staff with the newly defined functions. This was accomplished through a series of job fairs and panel interviews. The entire process involved a redefinition of the terms of reference for over 50 units, revising almost 200 job descriptions and over 150 staff involved in various selection processes.

32. The reduction in headquarters staffing has required solid commitment from senior management to make hard decisions and choices affecting staff at all levels. The process has benefited from the support and active cooperation of staff. While the process has been intense, time-consuming and testing on staff morale, the results so far have been very encouraging. Nine months into the implementation, headquarters staffing levels were 111 staff or 10 per cent below those of December 1999, which is exactly on target.

III. Priorities for 2001

33. The four-year effort of implementing the Business Plans began strongly in 2000 and is now well under way. Continued success will be contingent on the ability to deal with a number of challenges, including improving the core and non-core resource base of UNDP and, related to this, developing a sustainable budget strategy for 2002-2003. The key priority of improving country office performance, covering results orientation and substantive focus as well as strengthened partnerships at the field level will require significant financial and staff resources to assist country offices in their transformation efforts. In 2001, the policy advisory network and the related set of services that can support country offices in meeting the priorities of country programmes effectively should be put in place. The steps taken to renew the work force will continue with additional efforts to bring in new staff and develop or separate staff who do not meet the competency requirements of the new UNDP. The review and re-engineering of corporate business processes will require significant investments, particularly in order to take advantage of the opportunities for simplification provided by new advances in information technology using web-based systems.

Annex

Results achieved and next steps: Summary of implementation of Business Plans

I. Policy

<i>Expected outcomes</i>	<i>Initiatives and results achieved</i>	<i>Next steps</i>
UNDP as a stronger global advocate for human development	• Restructuring of BDP to focus on applied policy advice • Appointment of Senior Adviser on Human Development • Establishment of National Human Development Report Unit at headquarters	• Establishment of two regional national human development report centres
Substantive capacity aligned with concentrated areas of demand	• ROAR analysis completed • Identification of areas of needed expertise • Job fairs conducted • Matrix arrangements between BDP and regional bureaux established	• New global and regional programmes in 2001 with upstream policy focus
Capacity highly networked and field based	• Transformation of BDP into a service-oriented, decentralized unit started	• Recruitment and placement of policy experts in the field • Completion of SURF coverage • Expansion of knowledge networks and linkages with other networks
Clearly defined capacity and improved effectiveness in special development situations	• Strategy on UNDP role in crisis post-conflict situations (CPC) prepared for approval by Executive Board • Training conducted for 130 staff in CPC countries	• Approval of UNDP role in the CPC sphere by Executive Board • Development of rapid responsive system, covering staff deployment, resource mobilization, etc.

II. Partnerships

<i>Expected outcomes</i>	<i>Initiatives and results achieved</i>	<i>Next steps</i>
Key partnerships identified and developed	• Creation of a new bureau (BRSP) and introduction of matrix management on partnership issues • Partnerships forged by UNDP within the United Nations system in support of United Nations conferences and initiatives • Established mechanisms for consultations and cooperation with the Bretton Woods institutions • Initiatives launched to strengthen UNDP partnership with regional development banks • Division for Business Partnership created in BRSP; strategy for partnership with the private sector formulated • Creation of a civil society organization (CSO) committee; successful first meeting	• Passing of formal cooperation agreements with strategic partners with joint monitoring of their results at the country level • Active UNDP contribution to forthcoming United Nations events and their follow-up, through partnerships with the United Nations system • UNDP initiatives to support the Secretary-General global compact, and take it to the local level
Role of strategic partnerships in contributing to development outcomes at the country level systematically ensured	• Increased number of initiatives at the country level to forge partnerships • Improved cooperation with key partners at the country level on key issues such as poverty reduction strategies, governance and information technology • Increased emphasis on partnerships in the revised SURF/ROAR	• Expand the list of countries where UNDP monitors its cooperation with key partners • Analysis of report on partnership in the ROAR • Roll out of the partnership survey • Launch new Partnership web site (under way)

<i>Expected outcomes</i>	<i>Initiatives and results achieved</i>	<i>Next steps</i>
Clear success of partnerships in increasing resources for programme countries	• Launching of partnership surveys to better assess partners' perception of UNDP role and performance • Improved dissemination of information on partnerships through web site and networks	
	• Successful Ministerial Meeting (11 September 2000) • Development of initiative for non-core resources	• Formulation and implementation of non-core initiatives in programme countries

III. People

<i>Expected outcomes</i>	<i>Initiatives and results achieved</i>	<i>Next steps</i>
Staff aligned with evolving organizational needs	• Headquarters-wide functional review leading to redefinition of functions and posts • Job fairs to match qualified staff with redefined posts conducted • Competency assessment of new resident representatives • 360-degree feedback programme launched • Results and competency assessment (RCA) introduced as replacement for performance appraisal review system • New voluntary separation programme introduced • Leadership Development Programme introduced	• Competency assessment of sitting resident representatives • Development of competency sets for deputy resident representatives and assistant resident representatives and assessment of staff in these positions • UNDP-wide application of 360-degree feedback programme • Next phase of Management Development Programme • Functional reviews carried out in country offices resulting in redefinition of functions and re-engineering

<i>Expected outcomes</i>	<i>Initiatives and results achieved</i>	<i>Next steps</i>
Strengthened human resource management capacity to attract, develop and retain talent	• Re-engineering of human resource administration • Establishment of career counselling unit • Strategic workforce-planning function established	• New policy on internal justice system
Improved empowerment of staff for personal development and performance	• Formal launch of the Virtual Development Academy • Introduction of the electronic platform for learning	• Development of complete VDA programme

IV. Performance

<i>Expected outcomes</i>	<i>Initiatives and results achieved</i>	<i>Next steps</i>
Effective leadership, oversight and decision-making supported by an ability to measure performance	• Establishment of Executive Team • Development of new planning and performance measurement instruments (ROAR, RCA, Balanced Scorecard, Annual Corporate Plan, headquarters and country office management plans) • Results-based Budget allocations • Redefinition of headquarters regional bureaux with focus on oversight • Establishment of corporate oversight committee • Staff, headquarters services and partnership surveys • Action plans for performance improvement of 17 country offices	• Operationalization of Balanced Scorecard • New Horizons package for re-profiling of country offices

<i>Expected outcomes</i>	<i>Initiatives and results achieved</i>	<i>Next steps</i>
Efficiency gains in headquarters and country operations	• Bureau of Management established to bring together corporate planning and financial, human and information technology resource services • Selected human resources, finance and travel processes simplified • Feasibility study for pooling of operational capacities in Caribbean completed • Review of country office accounting systems completed	• New information technology strategy • Further re-engineering of work processes
A new culture of networking within UNDP, including horizontally among country offices and between UNDP and external partners		• High-speed Internet-based global network covering all country offices
A clear understanding of UNDP goals among stakeholders and the results produced	• Ministerial Meeting • Formulation of Business Plans and development of Balanced Scorecard • Revision of SURF	

V. Resources

<i>Expected outcomes</i>	<i>Initiatives and results achieved</i>	<i>Next steps</i>
MYFF targets achieved	• 2000 voluntary contributions \$663 million against MYFF target of \$800 million (83 per cent)	• Understanding with the Board on future action
Increased share of reduced biennial budget expenditures incurred outside headquarters and for substantive support	• Headquarters staff reduced by 111 as of September 2000	• Completion of headquarters staff reduction • Preparation of 2002-2003 budget

<i>Expected outcomes</i>	<i>Initiatives and results achieved</i>	<i>Next steps</i>
Increased compliance with government contributions to local office costs (GLOC) and strengthened cost-recovery	• 10 per cent increase in GLOC compliance over 1999 • Cost-recovery schemes implemented in a number of countries	
Business Plans financed	• \$8 million received in donor support • \$2 million allocated from internal savings	• Additional fund-raising to meet total target of \$25 million

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UNDP Business Plans, 2000-2003**Follow-up to the Ministerial Meeting on UNDP****Contents**

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I. Introduction

1. UNDP is above all committed to enhancing its overall development impact and effectiveness. At its first regular session 2000, the Executive Board reviewed the Administrator's Business Plans, 2000-2003, in which he outlined his vision for UNDP and proposed an internal reform process for the organization. Progress made in the implementation of the Plans is outlined in document DP/2001/CRP.2.

2. Mobilizing an adequate level of regular resources (formerly known as "core" resources) to maximize the unique impact of a strong multilateral United Nations development presence remains a top priority. In order to restore growth and enhanced predictability to the regular resource base of UNDP, the Executive Board engaged in intensive dialogue throughout 1998 and 1999 on the development of a sustainable funding strategy for UNDP, resulting in landmark decisions on a new multi-year funding framework (MYFF).

3. During the course of 2000, the Administrator continued to highlight the critical regular resource situation of UNDP. He stressed that the funding crisis was not simply about UNDP but about the United Nations as a whole and its role in development. He emphasized in particular the impact of the funding situation on UNDP programmes across the world, in particular in Africa, where programme resource allocations had fallen by 60 per cent in real terms since 1992. The Administrator further emphasized the urgency of rebuilding broader political support both for the role of the United Nations in development and for the role of UNDP; there was a need to convey the message of UNDP to wider political constituencies and to find ways of translating additional political support into practical action. He suggested holding a ministerial-level meeting as one way of contributing to this goal. The Ministerial Meeting took place in New York on 11 September 2000.

4. The present document makes a number of proposals for follow-up emanating from the Ministerial Meeting. It focuses on the need for: (a) a strengthened regular (core) resource situation; (b) a stronger alignment of other (non-core) resources around the vision for the new UNDP; and (c) enhanced performance, particularly at the country level.

5. While the strong support expressed at the Ministerial Meeting was extremely encouraging, the situation regarding UNDP regular resources remains critical. The Administrator believes that Ministers must remain committed to joint action. Without the continued engagement of Ministers, prospects to establish regular funding on a stable and sustainable basis appear limited.

II. Outcome of the Ministerial Meeting on UNDP

6. The Ministerial Meeting on UNDP took place on 11 September, immediately after the Millennium Summit, with the participation of Ministers and representatives from 65 countries. The Chairman of the meeting highlighted that the high level of participation in the discussion of UNDP and its future was in itself an important measure of the political interest in the organization. In his oral summary of the meeting, the Chairman noted:

(a) The widespread endorsement of the Secretary-General's vision, outlined in his keynote address to the Ministerial Meeting, of the role of the United Nations in development and of the essential part that UNDP played in that context; this was particularly crucial in the light of the Millennium Summit Declaration and the emphasis therein to the continuing challenge of poverty eradication;

(b) Clear endorsement of the new direction of UNDP, as a poverty agency working both at the global and country levels, in its areas of comparative advantage, including capacity-building in governance and policy, special development situations and new areas such as information technology and the use of the Internet;

(c) Recognition of the value of the role of UNDP as an advocate at global and national levels, including through the *Human Development Report*;

(d) Linkage of the above to the universal presence of UNDP, a presence that also served the rest of the United Nations system; concerns that while a universal UNDP was indispensable to the mandate of the United Nations itself, the resource constraints presented a significant challenge to geographical coverage by the organization;

(e) The importance of the coordination role of UNDP, as well as partnerships beyond the United Nations family, as a necessary and integral part of UNDP work;

(f) The importance of preserving the country-driven nature of UNDP programmes and of maintaining its capacity to respond to country priorities, a key element in the trust that UNDP enjoyed;

(g) Recognition of the seriousness of the Administrator's commitment to results, to internal reform and to management performance and excellence at all levels;

(h) The expressions of both political and financial support for the reform process; and

(i) The widespread concern about the resource situation and about the vital importance of rebuilding the core resource base.

7. The Chairman noted the various options put forward by Ministers for continuing the process begun at the Meeting to rebuild political support for UNDP, including:

(a) Intensive advocacy for aid to development and to the United Nations, at the national level;

(b) Options for UNDP to be considered in other international or regional forums i.e., for the United Nations and UNDP to be on the agenda of forums such as the European Union, the Organization of African Unity (OAU) and the Association of South-East Asian Nations (ASEAN);

(c) The possibility, proposed by a number of Ministers, of annual events similar in nature to the meeting of 11 September, with the participation of Ministers;

(d) Ways for Ministers to continue their involvement in the dialogue on UNDP and its future;

(e) Means by which UNDP can communicate its improved performance from the field;

(f) Options for the role of the Executive Board.

8. At the third regular session 2000 of the Executive Board, held in September, the Administrator noted the importance of the Ministerial Meeting in providing a renewed climate of political support for UNDP, the critical foundation for its work that had been lacking in recent years. There had been widespread endorsement of the new direction of UNDP, and of its unique legitimacy and expertise in contributing to the development targets endorsed by the Millennium Summit, in particular the overarching goal of halving poverty by 2015. The Administrator highlighted the two key challenges now facing UNDP, namely the need to demonstrate enhanced performance in the field in line with the Business Plans and the need to rebuild the resource base of the organization. Further to the Ministerial Meeting, the Administrator had communicated to staff worldwide both the strong endorsement of the new UNDP and the continued need for UNDP to strengthen performance at all levels of the organization, in line with the Business Plans. It was incumbent upon UNDP internally to drive through and entrench a new culture of results and excellence. The challenge of resources needed to be tackled with UNDP partners if the organization was to break out once and for all from the funding trap, to rebuild regular income to underpin the new vision while aligning and expanding the role of other funding.

III. Follow-up: maintaining the momentum for rebuilding political will

9. Building on the specific suggestions made by Ministers during the meeting, concrete follow-up actions to build on the new momentum of political support have been proposed at three levels: at the country and regional levels and at the level of the Executive Board.

First, and most important: Accelerate national efforts to rebuild regular resources to agreed targets.

10. The indications of firm intentions by six donors from the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD/DAC) to increase regular resource contributions in 2001, announced at the Ministerial Meeting, is extremely encouraging. It is hoped that other Ministers will be able to follow this lead and secure annual increases in funding for UNDP in 2001 and beyond. In the past, Governments have explained disappointing voluntary contributions by reference to the legal character of other commitments and the reality of overall budgetary ceilings. While the Ministerial Meeting has clearly launched a process of renewed political support for UNDP, core resources are not yet at the targeted levels. In short, UNDP needs a stronger multi-year, commitment-based approach to return the core resource base to a pattern of real growth and to put the organization on a clear path to meet agreed targets. The way donors interact and work together is essential for the achievement of this goal. The challenge remains for the MYFF to be truly translated into more binding commitments, within the voluntarily funded environment in which UNDP and its partner funds and programmes are operating. UNDP stands ready to support Governments' own efforts in whatever ways they consider appropriate.

Recommendation 1. Consultations should take place between Governments and UNDP on the support that UNDP can provide to efforts at the country level to rebuild greater political and financial support for UNDP.

Second: Highlight in key regional and international forums the importance of the overall role of the United Nations in development and of the specific role of UNDP in order to rebuild broader political and financial support.

11. As agreed at the Ministerial Meeting, an important way to continue Ministers' engagement on the issue of rebuilding political support for United Nations development cooperation — and the work of UNDP specifically — is to secure a place for UNDP on the agenda of existing regional and global forums where Ministers meet, such as ASEAN, the European Union, the Group of 77, OAU or OECD/DAC. It is very encouraging that a number of Ministers have already initiated actions to secure a place for UNDP on relevant agendas, providing avenues that are potentially very fruitful for consolidating the new momentum and for consulting closely to map out the most appropriate next steps. It is important that such efforts continue.

Recommendation 2. Governments might wish to pursue the possibility of including on the agendas of regional and global meetings items on support to UNDP and the role of the United Nations in development.

Third: Act on the suggestion made by several Ministers to hold a follow-up Ministerial Meeting in 2001.

12. A number of Ministers suggested holding another ministerial-level meeting in 2001. Others preferred that a number of options for further dialogue at the ministerial level be pursued. The success of the Ministerial Meeting clearly demonstrated the importance of maintaining regular, ministerial-level engagement on the new UNDP. While the timing, periodicity, structure and format of future ministerial-level events will be reviewed, more intensive ministerial involvement is clearly needed at this decisive time for the future of the organization. In particular, the UNDP regular resource situation remains critical. Against this background, the Administrator believes that there is real merit in holding a Ministerial Meeting in 2001.

Recommendation 3. The Administrator recommends that consideration be given to holding a Ministerial Meeting in September 2001.

13. In addition, at the Executive Board level, it is critically important to maintain and build on the spirit of the recent sessions of the Board, thereby facilitating continued substantive engagement concerning UNDP and its work and discussion on issues that serve to keep the dialogue at the political level established by the Ministerial Meeting. It is also important to take advantage of the opportunities that

other processes may offer during the course of 2001, such as those during the preparations for the Financing for Development Event.

Recommendation 4. The Secretariat should review with the Board the possibility of structuring a dialogue around priority issues in a way that promotes high-level participation in the Executive Board.

IV. Follow-up: performance and resources

Performance

14. In his presentation to the Executive Board at its third regular session 2000, the Administrator described the measures being taken within the context of the Business Plans to make UNDP more responsive to the needs of the field and to strengthen the quality of overall performance. In addition to the results-based MYFF/ROAR process, the essential foundation for that task, he cited a number of key actions taken in recent months to extend the results-based performance culture to the internal workings of UNDP, including:

- (a) A 10 per cent reduction to date in implementation of the 26 per cent cut in headquarters staff, with the full process to be completed by the end of 2001;
- (b) Initiation of the implementation of the recommendations of the Options Group convened in August 2000 on how to re-profile country offices;
- (c) Launch of a dedicated web site for direct and regular interaction between the Administrator and resident representatives;
- (d) Provision of extra support for and monitoring of country offices where performance problems have been identified;
- (e) Initiation of recruitment of policy experts for the field to increase UNDP strengths in key areas of specialization; and
- (f) Realignment of UNDP applied policy and substantive capacity and definition of policy service lines.

15. Additional steps being taken to accelerate the change process by strengthening individual performance include:

- (a) Re-profiling of country offices, in line with the new vision and the Business Plans;
- (b) Introduction of a new performance measurement system a year ahead of schedule to give a transparent, thorough and accurate grading of staff performance;
- (c) Introduction across the organization, including in all country offices, of a new, 360 degree feedback system;
- (d) Extension of competency assessments to include sitting as well as new resident coordinators;

(e) Initiation of a partnership survey, initially in 17 pilot countries, to provide an external and objective analysis of UNDP performance at the country level;

(f) Provision of new support and training for staff, particularly on information technology;

(g) Preparation of a new management-track leadership-in-development programme to attract young talented professionals to the organization;

(h) Undertaking of a \$20 million shift of programme staff and resources from headquarters to the field through the decentralization of the Bureau for Development Policy.

Full details of progress in the implementation of the Business Plans are contained in the Administrator's Business Plans, 2000-2003: Status of implementation (DP/2001/CRP.2), submitted to the Executive Board at its current session.

Recommendation 5. The Administrator should report to the Executive Board on progress being achieved in addressing the issue of enhanced performance of UNDP within the context of the implementation of the Business Plans.

V. Regular resources

16. As noted above, meeting the regular resource targets agreed within the MYFF continues to be the critical challenge for the Executive Board and for all members of the Programme. A strong regular resource base is the means to sustain the global platform of the organization on behalf of the United Nations family and of the international community at large and is the essential resource base for the programmes of the low-income countries, to which UNDP allocates 88 per cent of its regular resources. Constraints in regular resources distort the overall funding picture, leaving certain programmes and regions with a significant lack of resources. The Administrator is unequivocal in his belief that regular contributions remain the bedrock of UNDP and that putting the regular resource base back on a path of sustainable growth to meet agreed targets remains the top priority.

17. As of the end of November 2000, using the official United Nations exchange rate of that month, the projected regular resource income for 2000 was \$663 million, representing a decrease of \$18 million from the income received in 1999. Such a decline comes despite significant increases in regular resource contributions in local currency terms by 11 OECD/DAC donor countries and 10 programme countries; three OECD/DAC donors made additional contributions to regular resources at or after the Ministerial Meeting. The reasons for the shortfall in projected net 2000 income include the reduction in the contribution level of a major donor; the continued strength of the US dollar, which has appreciated throughout 2000 against most currencies, including the major European currencies that constitute over two thirds of the UNDP current regular resource income base; and delayed payments of 2000 contributions on the part of a number of OECD/DAC donors.

18. Throughout 2000, UNDP experienced significant cash flow problems due to irregular payments of contributions by some donors. This situation necessitated

significant utilization of the operational reserve throughout 2000, with the sum of \$48 million drawn from the reserve at the end of November. The timeliness of payment of contributions is essential to avoid liquidity constraints and is a key factor for the achievement of one of the goals of the MYFF: the greater predictability of income. During the third regular session 2000 of the Executive Board, UNDP reiterated the importance of early payments, particularly given that another liquidity shortage was anticipated for January 2001. The secretariat suggested an optimal scenario whereby donors would agree to a standard schedule for payments, such as full early payment or quarterly or twice-yearly payments, thereby enabling UNDP to take measures to reduce the effects of changes in exchange rates on the predictability of income as well as to ensure a more predictable cash flow.

19. At or after the Ministerial Meeting, six major donors pledged to raise their voluntary contributions to regular resources for the year 2001. Likewise, the commitment expressed by many programme countries to increase or adhere to financial commitments to regular resources as well as make increased contributions to the local cost of the UNDP country presence, despite internal constraints, is an important indication of their strong support. It is very much anticipated that this issue will be subject to discussion among States members of the Programme, with a view to more countries being able to follow this positive lead in confirming increased contributions to regular resources for 2001, thereby enabling UNDP to build on and harvest the financial dividend of the renewed political support to UNDP.

Recommendation 6. Governments should make every effort to increase contributions to regular resources in 2001 and beyond, with a view to leveraging the positive momentum of the Ministerial Meeting to achieve a more durable solution to the core funding problems of UNDP.

Recommendation 7. Governments should adopt a standard schedule of contributions to the regular resources of UNDP, based on one of the following: (a) early payment in full; (b) quarterly payments at the beginning of each calendar quarter; (c) twice-yearly payments at the beginning of each calendar half-year.

VI. Annual funding meeting 2001: preparatory process

20. With the reduction in the number of regular sessions of the UNDP/UNFPA Executive Board from three to two (decision 2000/17), the next annual funding meeting on UNDP and its associated funds and programmes — the United Nations Capital Development Fund (UNCDF), the United Nations Fund for Women (UNIFEM) and the United Nations Volunteers (UNV) — will be held at the annual session in June 2001. The secretariat will be writing to all States members of UNDP in early January 2001 to outline the preparatory process for the funding meeting. As with the first two annual funding meetings, held in 1999 and 2000, members of the Programme will be encouraged, in the communication, to address three of the five main elements of Executive Board decision 98/23: volume of regular resources; predictability; and measures to reduce financial dependence on a limited number of

donors. In line with Executive Board decisions 98/23 and 99/1, reaffirmed in decisions 99/23 and 2000/1, members of the Programme will be requested to communicate in writing their voluntary core contributions for each of the four funds and programmes, namely UNDP, UNCDF, UNIFEM and UNV, no later than 31 March 2001, and will be encouraged to provide multi-year pledges.

21. Specifically, members of the Programme will be requested to communicate in writing to the secretariat, no later than 31 March 2001, but preferably as early as possible in the year:

(a) A firm funding commitment for the current year (2001); for those in a position to do so, a firm contribution or indication of the contribution for the following year (2002); and a firm or tentative contribution for the third year (2003) if possible;

(b) A schedule of payments based on one of the following: (a) early payment in full; (b) quarterly payments at the beginning of each quarter; (c) twice-yearly payments at the beginning of each half-year.

22. Based on receipt of the above information, the secretariat will circulate to all members of the Programme in the first half of April, a summary presentation on:

(a) Total commitments and/or estimates for 2001 contributions to regular resources, preceded by actual income received from contributions to regular resources in the previous two years, i.e., 1999 and 2000; and indicative contributions to regular resources for the two future years — 2002 and 2003 — as a multi-year pledge if so communicated;

(b) For the OECD/DAC donors, the table will outline the 2001 contribution to regular resources committed by (or estimated for) each individual country for the current year in (a) local currency terms and (b) United States dollar equivalent according to the United Nations official exchange rate of 1 April 2001; in addition, as requested during the 1999 funding meeting and as implemented in 2000, a column will reflect per capita contributions in 2001;

(c) For programme countries, the table will outline total pledges received by 31 March 2001 for contributions to regular resources and to government contributions to local office costs (GLOC), including those communicated at the United Nations Pledging Conference for Development Activities, held in November 2000, preceded by actual income received in the previous two years i.e., 1999 and 2000; and indicative pledges for the two future years — 2002 and 2003 — as a multi-year pledge if so communicated either at the United Nations Pledging Conference for Development Activities, and/or in writing by 31 March 2001. All financial information will be split into GLOC payments and net contributions to regular resources after the application of the accounting linkage;

(d) All 2000 figures will represent provisional data.

23. An updated version of the summary presentation will be circulated as a conference room paper in advance of the annual session of the Executive Board for review in the light of progress towards achieving the key objectives of the legislation with respect to resources, outlined in decisions 98/23 and 99/1.

Recommendation 8. While the 2001 funding meeting will not be formally held until the annual session, Governments are strongly recommended to communicate officially to the secretariat, as early as possible, their contributions to regular resources for 2001 (and for 2002 and 2003) and to indicate to the secretariat as early as possible in 2001 to which of the three payment-schedule options they will adhere.

VII. Other resources

24. As many Ministers noted at the Ministerial Meeting, and as was reiterated during the third regular session 2000 and notwithstanding the continued priority placed on raising the levels of contributions to regular (core) resources, new approaches are needed to mobilize other (non-core) resources, to align them more clearly and to maximize the potential for a synergistic relationship between regular and other resources. UNDP considers that changes in the institutional context and in the wider Official Development Assistance (ODA) environment both facilitate and necessitate these new approaches. In its decisions 98/2 and 98/23 the Executive Board recognized the role of other sources of financing as a mechanism by which to enhance the capacity and supplement the means of UNDP in support of the goals and priorities set for the organization's work. In its decision 99/1, the Executive Board decided to continue consideration of the ways and means to redress resource shortfalls as and when necessary.

25. Elements for consideration in this context include:

(a) The approval of the MYFF, which represents the expression of country demands around the emerging profile of the organization: the MYFF provides the key framework for securing the policy coherence and country-demand-driven nature of UNDP support, regardless of funding source;

(b) The recognition that at present, co-financing does not bring proportionate benefit to least developed countries (LDCs) and Africa, in particular: a proactive approach is required on the part of UNDP to ensure that co-financing supports more directly the poverty focus of the organization;

(c) Changing trends in ODA, including a shift on the part of some donors to new and distinctive types of funding along thematic priorities: the emergence of such new types of funding affects UNDP, not least because Governments have indicated that funds will go elsewhere if they cannot be taken up by UNDP;

(d) The wish expressed by a number of donors to develop a more strategic partnership for non-core activities, within the framework of the MYFF: as non-core funding takes on a more strategic orientation, the dichotomy between a core relationship and a non-core one becomes increasingly overtaken for some major stakeholders by the emerging concept of an overarching partnership; and

(e) The interest of a number of donors in taking a more programmatic approach to funding.

26. In response to the elements outlined above, and in the light of comments by a number of Ministers, the Administrator proposes to strengthen the alignment of the

non-core resources within the context of the MYFF. In particular, a number of thematic trust funds are being established that will create the opportunity to provide funding at the programmatic level, in support of key themes of the MYFF. Such instruments are aimed at enabling the organization to capture and make best use of additional non-core resources for existing priorities of its programme country partners, such as governance, poverty, development after conflict and natural disasters, information technologies and issues such as HIV/AIDS. The thematic trust funds are being designed to:

- (a) Respond to the country-level demand, set out in the MYFF;
- (b) Link funding to goals and to substantive service lines, in support of interventions at the country, regional and global levels;
- (c) Access available thematic and programmatic funding that is not easily accessible directly from the country level and not available to regular resources;
- (d) Provide multiple entry points that encompass country windows as well as regional, interregional, global and advocacy activities;
- (e) Enhance the capacity of UNDP to respond swiftly to opportunities and country needs within key themes, with particular emphasis on LDCs and Africa.

Each trust fund will be open to receive contributions from a variety of sources for the financing of activities and services consistent with the primary purpose of the specific theme of the trust fund, with a view to tapping funding sources distinct from those readily accessible from decentralized field operations. A non-core partnership currently exists among Governments, donors and UNDP in a number of programme countries; such relationships need to be preserved, nurtured and expanded upon at the country-level, particularly in LDCs, as the broader alignment process takes effect on both sides. The Administrator intends to revert to the Executive Board with additional recommendations in the light of experience gained and on the basis of the evaluation of non-core funding, due to be discussed by the Executive Board at its annual session 2001.

27. Recent trends have shown a significant increase in non-core contributions, which in 1999 amounted to \$1.4 billion and constituted 72 per cent of total resources. In 1999, third-party co-financing, i.e., third-party cost-sharing and trust funds from sources other than programme country Governments, amounted to \$549 million, bringing the total of regular resources and third-party co-financing to \$1.3 billion. There is now broad-based participation in UNDP third-party co-financing by almost all countries that contribute to the regular resource base. Current realities indicate the need for discussions within the Executive Board on the appropriate presentation and relationship of regular resources to different types of other resources. In particular, the Administrator believes it is time that changing circumstances in the total resource environment be reflected in the presentation of the biennial support budget. In this regard, he intends to review options that are available and revert to the Executive Board on this issue during the second regular session in September 2001, in the context of the presentation of the 2002-2003 biennial support budget.

Recommendation 9. The Administrator should report to the Executive Board on new initiatives in the development of a non-core strategy in the light of experience gained and in the context of management's response to the non-core evaluation mandated by decision 98/2.

Recommendation 10. The Administrator should report to the Executive Board on the presentation and relationship of regular resources to different types of other resources in the context of the presentation of the 2002-2003 biennial support budget during the second regular session 2001.

VIII. Conclusion

28. It is vital that the momentum created by the success of the first UNDP Ministerial Meeting be maintained and built on as part of a dynamic process that ensures the concrete rebuilding of political and financial support for a strong role for the United Nations in development and for UNDP in particular. In this context, the Administrator has made the above recommendations with a view to helping to move forward the agenda of the Ministerial Meeting.

